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China, Peoples Republic of

Oilseeds and Products

Annual (part 1)

2001

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Report Highlights:
Soybean imports set a record in MY 99, and are forecast to remain strong in MY 00 and 01. Rapeseed imports are forecast to fall, but remain strong. Rapid expansion of China's oilseed crushing industry is now forecast to blunt the impact of increased access to imported oil after China accedes to the WTO.

Includes PSD changes: Yes
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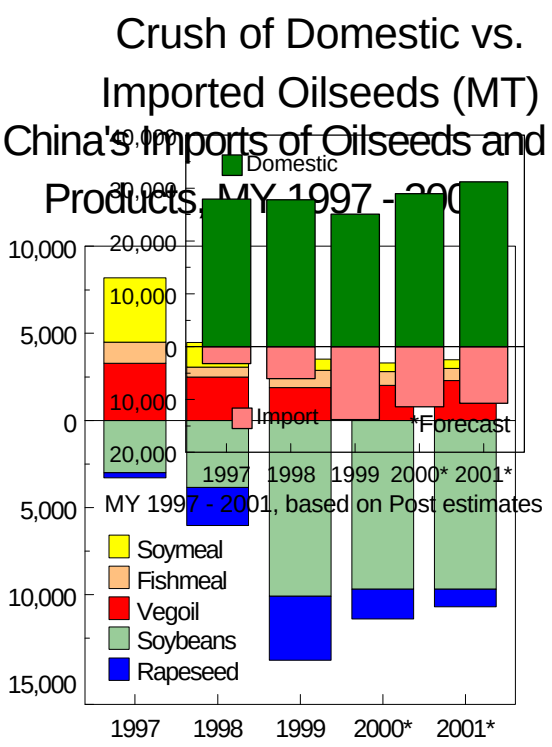
Oilseeds and Products Situation and Outlook

General Summary



After reaching record levels in marketing year 1999 (MY99), oilseed imports are forecast to fall in MY 00, primarily due to decreased imports of rapeseed. Soybean imports are expected to remain high through MY 00 and 01 due to continued demand for meal and weak prices for vegetable oil. Continued delays in China's accession to the WTO mean that the increased oil import quotas are unlikely to go into effect in time to have much effect on MY 00 oil imports. China's oilseed crushing industry is expanding rapidly, and increased efficiency now seems likely to blunt the impact of increased oil import quotas in MY 01, as industry sources feel the new plants are quite competetive. Though increased oil imports are forecast, the main impact of WTO will be a further drop in domestic oil prices. This is likely to push a number of older, less efficient crushing mills out of business, leading to industry consolidation.

Total Oilseeds

After falling in MY 99, area planted to most oilseeds increased during MY 00. This is primarily the result of a continued shift away from grains into rapeseed and soybeans as the Chinese government reduces support prices and limits the types of grains receiving support. Cottonseed production also increased due to high prices for cotton fiber. Total imports are forecast to fall during MY 00, due to increased production. Most of the decrease in imports is likely to come from rapeseed, since lagging prices for vegetable oil relative to meal have reduced the incentive to crush rapeseed. Total oilseed crush is forecast to rise as China continues its shift away from imports of processed products in favor of domestic processing of oilseeds. This trend has been reinforced by the continued construction and expansion of crushing facilities throughout East and South China by both foreign and domestic companies. The concentration of these facilities in the coastal South should help support imports of soybeans. Oilseed production is expected to climb further in MY 01, due to gains in rapeseed and cottonseed production.

Soybeans - Soybean production rose significantly in MY 00 due to poor prices for corn in the previous year, improved growing conditions, and government efforts to get farmers to switch from corn to soybeans. Prices at harvest have been quite low, however, and trade sources claim that farmers and procurement agents in Northeast China are withholding up to 40% of the crop in the hope that prices will improve in Spring as they did last year. This strategy is likely to backfire, as a large number of imports are booked to arrive during that same period. Poor prices this year will provide little incentive to farmers, and production is forecast to remain stagnant in MY 01.

Rapeseed - Rapeseed production continues to rise, largely at the expense of winter wheat and early rice. Rapeseed imports hit record levels in MY 99 due to strong demand for vegetable oil. This is likely to change in MY 00 as weak prices for vegetable oil and increased production of domestic rapeseed take a toll. Nonetheless, imports are forecast at a very respectable 1.8 MMT. Domestic rapeseed is becoming more marketable as most

farmers have switched to the low erucic acid varieties referred to as 'double low.' In some areas, producers have switched entirely to low-acid varieties, allowing crushers to buy without concern about toxicity. As of now, the MY 01 crop is on schedule to set a new production record. However, recent reports of cold weather in Hubei Province have created some uncertainty as to the condition of the crop. Rapeseed imports set a record during MY 99 as high vegoil prices early in the year made it more profitable to crush rapeseed relative to soybeans. Since then, vegoil prices have fallen, and rapeseed imports are expected to decline in MY 00. Imports are currently forecast at 1.8 MMT. Imports for MY 01, are forecast to fall further as China's accession to the WTO provides increased access to imported oil, causing oil prices to drop further. Rapeseed crushers are already reporting low margins compared to soybean crushers, and further oil price drops will likely force some crushers to go out of business.

Peanuts - MY 00 peanut production is estimated to have fallen compared to the previous year despite a slight increase in planted area. This is largely the result of a drought in parts of Shandong and Henan. Peanuts remain more profitable than most other major crops, and area is likely to continue growing, albeit slowly. Growth will be by the amount of land available that is suitable for growing peanuts. Planted area is forecast to increase by roughly 3% next year. China will continue to be a major exporter of peanuts, but exports to the European Union may experience difficulty this year due to reports of high aflatoxin levels.

Total Oilmeal

Oilseed demand is now being dictated by the rapid growth in demand for protein meal. This is a sharp contrast to the situation in 1998, when high oil prices drove industry profits. Total oilmeal consumption is forecast to increase by 6 percent in MY 00, but within this, consumption of soybean meal is forecast to increase by 15 percent. The only other oilmeal that is likely to see an increase is cottonseed meal, due to high prices for cotton fiber. Rapeseed meal production and consumption is likely to recover in MY 01, due to a larger domestic rapeseed crop and the improved quality of domestic rapeseed meal. Exports of rapeseed meal will find it difficult to repeat the record levels of MY 99, as trade sources indicate that domestic demand for rapeseed meal is very strong, particularly for use in aquaculture. Fishmeal consumption is likely to remain stagnant or decline in the next few years. Catch limits have curtailed growth in domestic production, so any increase in consumption will depend entirely on imports. Meanwhile, growing world supplies of soybeans and continued expansion of China's soybean crush industry will likely make soybean meal more competitive relative to fishmeal.

Total Vegetable Oil

Total oil production is forecast to remain steady in MY 00 as increased oilseed crush is offset by lower oil yields due to increased crush of soybeans and lower crush of rapeseed. Increased vegoil imports are forecast to offset the decline, posting an increase of 6 percent over MY 99. Most of the growth is likely to come in the form of palm oil imports, which reached nearly 500 TMT in the first quarter of MY 00. However, any increase in imports is contingent on the issuance of import quotas by the Chinese government, and there is a significant probability that they will choose to delay or limit the quotas in order to drive up oil prices. Continued delays in China's accession to the WTO mean that the increased quotas that China has agreed to as part of its accession package are unlikely to go into effect in time to have much effect on MY 00 imports.

Domestic oil production is forecast to rebound in MY 01 due to increased production and crush of all major oilseeds. The impact of WTO accession on China's oil industry in MY 01 is difficult to predict. Increased

access to world oil markets should cause vegoil prices to near world market levels, but the rapid growth and increased efficiency of China's oil crushing industry is likely to soften the impact. The primary victims are likely to be the large number of mid-sized mills with limited capital resources, particularly those that specialize in crushing rapeseed. Just how much oil is likely to be imported will depend on how much pent-up demand the current quota system has created. Trade sources differ widely on this issue, with estimates ranging from none to as much as 20 percent of current consumption. Post's forecast calls for an increase of 5.2% in total oil consumption in MY 01, as compared to 1.5% in MY 00. Assuming stable imports of soybeans and falling imports of rapeseed (due to low oil prices), this would lead to a 14.3% increase in imports for the year, while still allowing for a 4% increase in domestic crush.

Post's estimate of a 5.2% increase in oil consumption is related to two concerns. The first is that increased demand will require more time to become apparent–a massive jump in consumption overnight seems unlikely. The second is based on concerns about the distribution of per capita consumption. The most optimistic estimates of demand growth are based on China's low per capita oil consumption, relative to its income level. These averages are deceptive: per capita consumption is much higher in urban areas, and therefore unlikely to rise as quickly. In the rural areas where per capita consumption is low, any increase in consumption would be predicated on a rise in income. Given falling prices for agricultural commodities, this does not seem likely within the next year or two. In addition, falling oil prices will be less visible in rural areas, since many of these are served by smaller crush mills that process local oilseeds. As a result, the initial growth in oil consumption is likely to be dominated by industrial use and food processing, which is likely to favor imports of palm oil.

Production, Supply and Distribution Tables

Total Oilseeds, Meal and Oil

Table 1. Total Oilseeds

PSD Table						
Country:	China, Peoples Republic of					
Commodity:	Total Oilseeds					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin						
Area Planted	24156	24134	26110	26350	0	26950
Area Harvested	24168	24146	26210	26350	0	26950
Beginning Stocks	1910	1910	3620	3620	2380	3720
Production	42428	42403	44040	44150	0	46440
MY Imports	13871	13796	10417	11415	0	10714
MY Imp. from U.S.	4992	4988	4015	4912	0	4811
MY Imp. from the EC	856	856	500	320	0	250
TOTAL SUPPLY	58209	58109	58077	59185	2380	60874
MY Exports	806	810	690	720	0	881
MY Exp. to the EC	184	187	156	108	0	159
Crush Dom. Consumption	39697	38882	40460	40350	0	41925
Food Use Dom. Consump.	9898	10586	10333	10328	0	10954
Feed Waste Dom.Consum.	4188	4210	4230	4067	0	3930
Total Dom. Consumption	53783	53678	55023	54745	0	56809
Ending Stocks	3620	3620	2380	3720	0	3184
TOTAL DISTRIBUTION	58209	58108	58093	59185	0	60874
Calendar Year Imports	6927	6927	2595	13387	0	0
Calendar Yr Imp. U.S.	2456	2456	0	4900	0	0
Calendar Year Exports	683	683	1	215	0	1
Calndr Yr Exp. to U.S.	5	5	0	0	0	0

Table 2. Total Meal

PSD Table						
Country:						
Commodity:	Total Meal					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin						
Crush	39697	38882	40460	40350	0	41925
Extr. Rate	0.67	0.68	0.684	0.69	ERR	0.6905188
Beginning Stocks	0	0	0	0	0	0
Production	26638	26464	27682	27855	0	28950
MY Imports	1348	1703	1281	1366	0	1257
MY Imp. from U.S.	65	64	65	65	0	110
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	27986	28167	28963	29221	0	30207
MY Exports	890	1113	690	549	0	489
MY Exp. to the EC	329	329	160	150	0	100
Industrial Dom. Consum	7329	7890	7393	7600	0	7990
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom.Consum.	19728	19164	20880	21072	0	21728
Total Dom. Consumption	27057	27054	28273	28672	0	29718
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	27947	28167	28963	29221	0	30207
Calendar Year Imports	1238	1238	658	1250	0	0
Calendar Yr Imp. U.S.	142	142	60	60	0	0
Calendar Year Exports	279	279	94	1080	0	40
Calndr Yr Exp. to U.S.	7	7	0	46	0	0

Table 3. Total Oil

PSD Table						
Country:						
Commodity:	Total Oil					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin						
Crush	39697	38882	40460	40350	0	41925
Extr. Rate	0.259	0.262	0.256	0.252	ERR	0.25
Beginning Stocks	190	190	280	280	200	330
Production	10290	10175	10362	10172	0	10523
MY Imports	1856	1896	2048	2010	0	2298
MY Imp. from U.S.	132	131	130	127	0	152
MY Imp. from the EC	6	10	79	10	0	43
TOTAL SUPPLY	12336	12261	12690	12462	200	13151
MY Exports	118	98	83	69	0	115
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	11938	11883	12407	12063	0	12686
Feed Waste Dom.Consum.	0	0	0	0	0	0
Total Dom. Consumption	11938	11883	12407	12063	0	12686
Ending Stocks	280	280	200	330	0	350
TOTAL DISTRIBUTION	12336	12261	12690	12462	0	13151
Calendar Year Imports	2266	2148	1216	1476	0	0
Calendar Yr Imp. U.S.	316	312	10	6	0	0
Calendar Year Exports	76	76	12	69	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Oilseeds

Table 4. Soybeans

PSD Table						
Country:	China, Peoples Republic of					
Commodity:	Soybean					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Area Planted	8000	8000	9100	9100		9000
Area Harvested	8000	8000	9100	9100		9000
Beginning Stocks	1910	1910	3620	3620	2380	3720
Production	14290	14290	15400	15700		15800
MY Imports	10106	10106	8600	9700		9700
MY Imp. from U.S.	4979	4979	4000	4900		4800
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	26306	26306	27620	29020	2380	29220
MY Exports	230	220	170	200		250
MY Exp. to the EC	1	1	0	0	0	0
Crush Dom. Consumption	14879	14879	17290	17400		18100
Food Use Dom. Consump.	5991	5991	6230	6200		6386
Feed Waste Dom.Consum.	1586	1596	1550	1500		1300
Total Dom. Consumption	22456	22466	25070	25100	0	25786
Ending Stocks	3620	3620	2380	3720		3184
TOTAL DISTRIBUTION	26306	26306	27620	29020	0	29220
Calendar Year Imports	4319	4319		10419		0
Calendar Yr Imp. U.S.	2445	2445		4900		0
Calendar Year Exports	200	200		213		0
Calndr Yr Exp. to U.S.	1	1		0		0

Table 5. Rapeseed

PSD Table						
Country:	China, Peoples Republic of					
Commodity:	Rapeseed					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Area Planted	7000	7000	7800	7750		8050
Area Harvested	7000	7000	7800	7750		8050
Beginning Stocks	0	0	0	0	0	0
Production	10133	10133	10800	10900		11700
MY Imports	3750	3678	1800	1700		1000
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	856	856	500	320	0	250
TOTAL SUPPLY	13883	13811	12600	12600	0	12700
MY Exports	1	1	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	12732	12660	11360	11550		11625
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom.Consum.	1150	1150	1240	1050		1075
Total Dom. Consumption	13882	13810	12600	12600	0	12700
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	13883	13811	12600	12600	0	12700
Calendar Year Imports	2595	2595	2595	2968		
Calendar Yr Imp. U.S.	0	0	0	0		
Calendar Year Exports	1	1	0	1		
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table 6. Peanuts

PSD Table						
Country:	China, Peoples Republic of					
Commodity:	Peanut					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Area Planted	4268	4268	4400	4500		4600
Area Harvested	4280	4280	4500	4500		4600
Beginning Stocks	0	0	0	0		0
Production	9290	9290	9300	9250		9600
MY Imports	1	1	1	1		1
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	9291	9291	9301	9251	0	9601
MY Exports	554	554	500	500		601
MY Exp. to the EC	177	177	150	100		150
Crush Dom. Consumption	5197	4590	5030	4540		4760
Food Use Dom. Consump.	2950	3545	3207	3601		3640
Feed Seed Waste Dm.Cn.	590	602	580	610		600
Total Dom. Consumption	8737	8737	8817	8751	0	9000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	9291	9291	9317	9251	0	9601
Calendar Year Imports	1	1				
Calendar Yr Imp. U.S.	0	0				
Calendar Year Exports	466	466				
Calndr Yr Exp. to U.S.	4	4				

Table 7. Sunflowerseed

PSD Table						
Country:	China, Peoples Republic of					
Commodity:	Sunflowerseed					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Area Planted	1140	1140	1250	1000		1000
Area Harvested	1140	1140	1250	1000		1000
Beginning Stocks	0	0	0	0	0	0
Production	1825	1800	2000	1100		1600
MY Imports	14	11	16	14		13
MY Imp. from U.S.	13	9	15	12		11
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	1839	1811	2016	1114	0	1613
MY Exports	20	35	20	20		30
MY Exp. to the EC	6	9	6	8		9
Crush Dom. Consumption	790	654	990	495		590
Food Use Dom. Consump.	957	1050	896	527		928
Feed Waste Dom.Consum.	72	72	110	72		65
Total Dom. Consumption	1819	1776	1996	1094	0	1583
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	1839	1811	2016	1114	0	1613
Calendar Year Imports	12	12				
Calendar Yr Imp. U.S.	11	11				
Calendar Year Exports	15	15				
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Oilseed Meal/Fish Meal

Table 8. Soybean Meal

PSD Table						
Country:						
Commodity:	Soybean Meal					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Crush	14879	14879	17290	17400	0	18100
Extr. Rate	0.7944082	0.7944082	0.7941006	0.7945402	ERR	0.7950276
Beginning Stocks	0	0	0	0	0	0
Production	11820	11820	13730	13825		14390
MY Imports	634	634	500	500		500
MY Imp. from U.S.	0	0		0		60
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	12454	12454	14230	14325	0	14890
MY Exports	10	29	20	30		20
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	1000	1000	1000	1000	0	1000
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom.Consum.	11405	11425	13210	13295		13870
Total Dom. Consumption	12405	12425	14210	14295	0	14870
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	12415	12454	14230	14325	0	14890
Calendar Year Imports	572	572				
Calendar Yr Imp. U.S.	85	85				
Calendar Year Exports	14	14				
Calndr Yr Exp. to U.S.						

Table 9. Rapeseed Meal

PSD Table						
Country:						
Commodity:	Rapeseed Meal					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Crush	12732	12660	11360	11550	0	11625
Extr. Rate	0.6140434	0.6200632	0.6163732	0.6147186	ERR	0.6202151
Beginning Stocks	0	0	0	0	0	0
Production	7818	7850	7002	7100		7210
MY Imports	38	65	25	60		50
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	7856	7915	7027	7160	0	7260
MY Exports	800	998	600	450		400
MY Exp. to the EC	329	329	160	150		100
Industrial Dom. Consum	3769	4330	3922	4010		4000
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom.Consum.	3287	2587	2505	2700		2860
Total Dom. Consumption	7056	6917	6427	6710	0	6860
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	7856	7915	7027	7160	0	7260
Calendar Year Imports	29	29		56		
Calendar Yr Imp. U.S.	0	0		0		
Calendar Year Exports	209	209		978		
Calndr Yr Exp. to U.S.	7	7		46	0	

Table 10. Fishmeal

PSD Table						
Country:	China, Peoples Republic of					
Commodity:	Fish Oil and Meal					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Catch for Reduction	0	0	0	0	0	0
Extr. Rate, 999.9999	ERR	ERR	ERR	ERR	ERR	ERR
Beginning Stocks	0	0	0	0	0	0
Production	550	500	570	500		500
MY Imports	670	997	750	800		700
MY Imp. from U.S.	65	64	65	65		50
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	1220	1497	1320	1300	0	1200
MY Exports	2	2	1	2	0	1
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom.Consum.	1218	1495	1319	1298		1199
Total Dom. Consumption	1218	1495	1319	1298	0	1199
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	1220	1497	1320	1300	0	1200
Calendar Year Imports	631	631	650	1186		
Calendar Yr Imp. U.S.	57	57	60	60		
Calendar Year Exports	1	1	0	2	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table 11. Peanut Meal

PSD Table						
Country:						
Commodity:	Peanut Meal					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Crush	5197	4590	5030	4540	0	4760
Extr. Rate, 999.9999	0.5127958	0.5466231	0.554672	0.5462555	ERR	0.5462185
Beginning Stocks	0	0	0	0	0	0
Production	2665	2509	2790	2480		2600
MY Imports	6	7	6	6		7
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	2671	2516	2796	2486	0	2607
MY Exports	3	9	9	7		8
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom.Consum.	2668	2507	2787	2479		2599
Total Dom. Consumption	2668	2507	2787	2479	0	2599
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	2671	2516	2796	2486	0	2607
Calendar Year Imports	6	6	8	8		
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	2	2	3	9		
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Vegetable Oil

Table 12. Soybean Oil

PSD Table						
Country:						
Commodity:	Soybean Oil					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Crush	14879	14879	17290	17400	0	18100
Extr. Rate	0.1646616	0.1713825	0.1665703	0.1695402	ERR	0.1698895
Beginning Stocks	190	190	280	280	200	330
Production	2450	2550	2880	2950		3075
MY Imports	557	557	450	500		580
MY Imp. from U.S.	124	124	120	120		140
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	3197	3297	3610	3730	200	3985
MY Exports	80	80	50	50		95
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	2837	2937	3360	3350		3540
Feed Waste Dom.Consum.	0	0	0	0	0	0
Total Dom. Consumption	2837	2937	3360	3350	0	3540
Ending Stocks	280	280	200	330		350
TOTAL DISTRIBUTION	3197	3297	3610	3730	0	3985
Calendar Year Imports	804	804				
Calendar Yr Imp. U.S.	291	291				
Calendar Year Exports	43	43				
Calndr Yr Exp. to U.S.	0	0			0	0

Table 13. Rapeseed Oil

PSD Table						
Country:						
Commodity:	Rapeseed Oil					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Crush	12732	12660	11360	11550	0	11625
Extr. Rate	0.3547754	0.3467615	0.3479754	0.3445887	ERR	0.344086
Beginning Stocks	0	0	0	0	0	0
Production	4517	4390	3953	3980		4000
MY Imports	32	39	125	125		175
MY Imp. from U.S.	1	1	1	1	0	7
MY Imp. from the EC	6	6	75	5		40
TOTAL SUPPLY	4549	4429	4078	4105	0	4175
MY Exports	25	3	20	3		3
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	4524	4426	4058	4102		4172
Feed Waste Dom.Consum.	0	0	0	0	0	0
Total Dom. Consumption	4524	4426	4058	4102	0	4172
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	4549	4429	4078	4105	0	4175
Calendar Year Imports	81	70		75		
Calendar Yr Imp. U.S.	16	12		0		
Calendar Year Exports	20	20		54		
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table 14. Palm Oil

PSD Table						
Country:						
Commodity:	Palm Oil					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Crush	0	0	0	0	0	0
Extr. Rate, 999.9999	ERR	ERR	ERR	ERR	ERR	ERR
Beginning Stocks	0	0	0	0	0	0
Production	0	0	0	0	0	0
MY Imports	1200	1201	1400	1300		1450
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	1200	1201	1400	1300	0	1450
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	1200	1201	1400	1300		1450
Feed Waste Dom.Consum.	0	0	0	0	0	0
Total Dom. Consumption	1200	1201	1400	1300	0	1450
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	1200	1201	1400	1300	0	1450
Calendar Year Imports	1300	1193	1200	1391		
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table 15. Peanut Oil

PSD Table						
Country:						
Commodity:	Peanut Oil					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Crush	5197	4590	5030	4540	0	4760
Extr. Rate, 999.9999	0.4156244	0.4466231	0.4622266	0.4515419	ERR	0.4516807
Beginning Stocks	0	0	0	0	0	0
Production	2160	2050	2325	2050		2150
MY Imports	10	15	12	15		13
MY Imp. from U.S.	7	6	9	6		5
MY Imp. from the EC	0	4	4	5	0	3
TOTAL SUPPLY	2170	2065	2337	2065	0	2163
MY Exports	12	14	12	15		16
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	2158	2051	2325	2050		2147
Feed Waste Dom.Consum.	0	0	0	0	0	0
Total Dom. Consumption	2158	2051	2325	2050	0	2147
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	2170	2065	2337	2065	0	2163
Calendar Year Imports	16	16	16	10		
Calendar Yr Imp. U.S.	9	9	10	6		
Calendar Year Exports	12	12	12	15		
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table 16. Sunflowerseed Oil

PSD Table						
Country:						
Commodity:	Sunflowerseed Oil					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Crush	790	654	990	495	0	590
Extr. Rate	0.1620253	0.2293578	0.2222222	0.2262626	ERR	0.2288136
Beginning Stocks	0	0	0	0	0	0
Production	128	150	220	112	0	135
MY Imports	0	1	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	128	151	220	112	0	135
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	128	151	220	112	0	135
Feed Waste Dom.Consum.	0	0	0	0	0	0
Total Dom. Consumption	128	151	220	112	0	135
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	128	151	220	112	0	135
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table 17. Coconut Oil

PSD Table						
Country:						
Commodity:	Coconut Oil					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Crush	0	0	0	0	0	0
Extr. Rate	ERR	ERR	ERR	ERR	ERR	ERR
Beginning Stocks	0	0	0	0	0	0
Production	0	0	0	0	0	0
MY Imports	57	83	60	70	0	80
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	57	83	60	70	0	80
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	57	83	60	70	0	80
Feed Waste Dom.Consum.	0	0	0	0	0	0
Total Dom. Consumption	57	83	60	70	0	80
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	57	83	60	70	0	80
Calendar Year Imports	65	65				
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Other Tables

Table 18. Taxes and Duties

China's Oilseeds and Oilseed Products Tariffs as of January 1, 2001				
		In Quota	Out-of-Quota	
HS Code	Description	Duty (%)	M.F.N. (%)	VAT (%)**
12010010	Soybeans, for seeds*	0	114	13
12010091	Yellow soybean	3	114	13
12010092	Black soybean	3	114	13
12010093	Green soybean	3	114	13
12010099	Other soybean	3	114	13
12050010	Rapeseed, seeds*	0	40	13
12050090	Rapeseed, other	12	40	13
20081110	Peanut kernels, in airtight containers		30	17
20081120	Roasted peanuts		30	17
20081130	Peanut butter		30	17
20081190	Other processed peanuts		30	17
12072010	Cottonseed for cultivation*		0	13
12072090	Other cottonseed		15	13
12060010	Sunflower seeds for seeds*		0	13
12060090	Other sunflower seeds		15	13
15071000	Crude soy oil	13	121.6	13
15079000	Other soy oil	13	121.6	13
15141010	Crude rape oil	20	100	13
15141090	Crude mustard oil		100	13
15149000	Other rapeseed oil	20	100	13
15081000	Crude peanut oil	9.7	75	13
15089000	Other peanut oil	9.7	75	13
15122100	Crude cottonseed oil		10	13
15122900	Other cottonseed oil		10	13
15121100	Crude sunflower seed oil	40	91.2	
15121100.1	Crude safflower seed oil			17
15121100.9	Crude sunflower seed oil			13
15121900	Other sunflower seed oil	40	91.2	
15121900.1	Other safflower oil			13
15121900.9	Other sunflower seed oil			17
15131100	Crude coconut oil		20	17

15131900	Other coconut oil		20	17
15111000	Palm oil, crude	9	30	13
15119010	Palm oil, liquid	10	30	
15119020	Stearin	10	30	
15119090	Palm oil, other	10	30	13
15152100	Crude corn oil	18	91.2	13
15152900	Other corn oil	18	91.2	13
23040010	Soy oil cake		5	
23040090	Soy meal		5	
23025000	Legume sweepings		5	
12081000	Soyflour	9	40	
23064000	Rapeseed meal		5	
23050000	Peanut meal		5	
23061000	Cottonseed meal		5	
23063000	Sunflower seed meal		5	
23012010	Fish meal		3	
*Oilseeds for planting are duty free				
** Data for 2001 is not available yet. These are for year 2000				

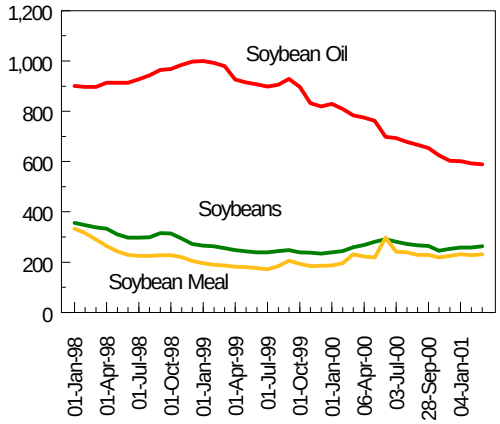
Narrative on Supply, Demand, Policy and Marketing

Soybeans and Products

Production

Planted area increased by 15 percent in MY 00, in response to low prices for corn during the previous yea and government efforts to promote production of soybeans rather than grains. The largest gain was in Jilin province, China's primary corn producer, which is promoting soybeans as an alternative to corn. In one program, the provincial government is providing a subsidy to a crushing mill in return for which the mill has agreed to purchase soybeans from farmers at above-market prices instead of purchasing imported soybeans. The project affected only a small area, and government officials insist that it was only an experiment. Trade sources, however, have indicated that this program has the approval of the central government, and that funding will be expanded next year. Drought reduced soybean yields for MY 00, though quality appears to have been unaffected and is much better than last year. Official estimates put the total crop at 15.4 MMT, but an increasing number of sources have come to believe that the final number will be considerably higher than this, and Post has increased its estimate to 15.7 MMT. The final number could be as high as 15.9 MMT.

Domestic Prices for Soybeans and Soybean Products 1998 - 2001



Domestic soybeans have been extremely slow to reach the market this year, bringing prices up to nearly the same level as imported beans. Most sources attribute this slowdown in deliveries to farmers and procurement agents who are reportedly withholding up to 40 percent of the crop in the hope that prices will go up. These same sources expect that this strategy will backfire, as a large number of imports are scheduled to arrive after the Spring Festival holiday. An additional cause for the delay in deliveries has been a lack of transportation. According to government sources, the Railway Transportation Department of Northeast China completed its annual transportation plan in November, and after that was unwilling to carry additional cargoes out of concern that it would be expected to repeat this performance next year. The situation failed to improve in January, because the early occurrence of the Spring Festival holiday required the Department to give priority to passenger transport until early to mid February. These problems are emblematic of the purchasing and distribution problems that make it difficult for domestic soybeans to compete with imports.

Soybean planted area is forecast to fall in MY 01, despite the government's continued efforts to promote soybeans in lieu of corn. Farmers who are currently withholding soybeans from the market are likely to be discouraged by the low prices they receive, and market prices for corn have improved considerably over the previous year. Even with a slight decline in planted area production could increase, given a return to normal weather and yields. Over the long term, soybean production is likely to increase slowly at the expense of grain crops as China continues to adjust its production structure.

Interest in organic production of soybeans is growing in Northeast China. In Heilongjiang and Inner Mongolia, a large number of farmers claim to be growing 'green' food, including soybeans. There appears to be a great deal of confusion, however, over precisely what this entails. The Ministry of Agriculture classifies 'green food'

into two categories, both of which are less strictly defined than U.S. standards. Grade A green food is defined as food produced in areas that 'meet the ecological and environmental standards,' and using only allowable quantities of specified chemicals. Grade AA goes one step further, specifying that 'no harmful chemicals may be used in food processing.' Both grades must be packed using specified processes and meet specific quality, packaging and inspection standards. Certification of green food is done at the packing facility, not at the producer level. While this is probably necessary due to the extremely large number of small farms in China, it leaves a good deal of room for confusion. Farmers, while enthusiastic about producing green food, are not always clear on the concept. In one interview, a village chief proudly declared that his entire village's soybean production was organic. When complimented on the health of his plants, he noted that they didn't have insect problems because they sprayed them with pesticides. Though China's transportation system is capable of handling identity preserved products, the system for identifying and certifying organic products is still in its infancy, and is indequate for export markets.

Consumption

Total soybean consumption is forecast to rise during MY 00 and MY 01. Demand is now clearly being driven by demand for meal rather than oil, a sharp contrast compared with early 1999. The increase in soybean consumption is likely to be most pronounced during MY 00, as crushers switch from imported rapeseed to imported soybeans in order to take advantage of the change in the oil/meal price ratio.

Crush capacity is growing rapidly, with both domestic and foreign companies investing in new production and/or new plants. Growth is most rapid in Guangdong and Zhejiang, which are near major consumption areas. Industry reorganization seems inevitable, though surprisingly few plants have gone out of business to date. It now appears that a number of medium-sized plants, particularly in rapeseed growing areas, may be able to stay in business by serving local markets. Extremely small 'backyard' crushers in rural areas are also likely to continue operating, exchanging raw materials for finished product with local farmers. For the time being, these three classes of mills seem to be competing in different markets. Eventually, however, this situation will have to sort itself out. In the near term, the primary victims of reorganization are likely to be mid-sized mills in coastal areas, which compete directly with the new large-scale mills for urban markets.

Demand for soybean meal remains relatively strong. Although the current price, in the range of $230/MT, is less than the short-lived peak of $298/MT reached in June, it is still substantially higher than the prices of $170-200/MT that prevailed throughout 1999 and early 2000. With crush capacity increasing, industry sources expect meal prices to fall, with one source claiming that China may actually be in a position to export soybean meal. A more likely scenario is increased substitution of soybean meal for other protein meals, particularly fishmeal.

Consumption of soybean oil is forecast to increase in MY 00, due mainly to increased production of soybean oil in place of rapeseed oil. A further increase is forecast for MY 01, based on increased domestic production as the result of a larger soybean harvest. Imports are also forecast to increase to 600 TMT, well short of the amount permitted for the year under China's WTO agreement. On the one hand, increased availability of oil under the WTO will drive down prices, and demand is forecast to increase. On the other hand, rapid growth in China's crushing industry and large domestic soybean and rapeseed crops forecast for MY 01, indicate that much of this additional demand will be supplied from domestic sources, rather than by imports of oil.

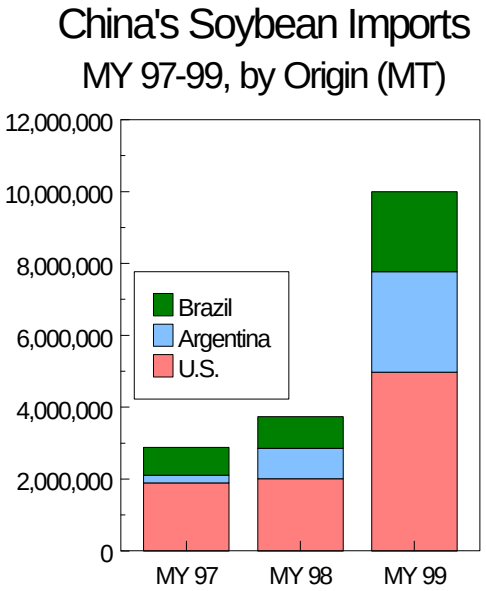
Stocks

Ending stocks for MY 00 are forecast to be almost unchanged. Though farmers and procurement agents in Northeast China are reported to be holding large quantities of soybeans, these supplies will likely be sold out before the end of the marketing year. Government-owned stocks are not likely to increase, since procurement of soybeans under the quota system has been sharply reduced in recent years. The current schemes being considered to support soybean prices, such as the guaranteed price scheme used in Jilin, seem to avoid the stock-building side effects of the old state procurement system. This forecast is highly uncertain, however. The provincial Grain Reserve Corporations (GRC) in the Northeast provinces continue to be the largest holders of domestic soybean stocks, and much will depend on their interpretation of the mareket situation. If GRC anticipates a sharp decline in prices in fall, they may choose to market a large quantity of stocks during the mid to late summer period, when prices are typically high.

Trade

Trade for MY 00 is forecast to favor soybeans over rapeseed, and bulk soybeans over processed soybean products. Total imports are forecast to fall slightly compared to MY 99's record-destroying volume, but this forecast is highly tentative. First quarter imports reached 2.081 MMT, compared to only 1.768 MMT during the same period in MY 99. However, last year's high import volume was based on sustained high imports throughout the year. High first quarter imports for MY 00 appear, in part, to be caused by the withholding of domestic soybeans from the market by farmers and procurement agents in Northeast China. This has driven the price of domestic soybeans up to levels comparable with imports, which normally command a premium at this time of year. Eventually, these remaining domestic soybeans will reach the market, driving down prices and reducing import demand when they do. Though this course of events is far from certain, Post prefers to err on the side of caution until more information on the disposition of the domestic crop is available.

U.S. soybeans continued to hold the largest market share in MY 99, amounting to over 4.9 MMT at a value of over $1 billion, though U.S. market share slipped from 52% to 49%. Argentina moved into second place at nearly 2.8 MMT, or a 28% market share, passing Brazil for the first time. Heavy imports early in the marketing year bode well for U.S. market share in MY 00, since the U.S. tends to be most dominant in the first half of the year. Argentine soybeans are growing in popularity due to high oil content and yellow color. Traditional concerns over color appear to be declining however, as the more modern crushers appear to be more interested in price and content rather than cosmetic issues, which should bode well for Brazilian soybeans. U.S. soybeans continue to be favored due to consistent quality and timely delivery. Crushers have voiced complaints that shipments from South America often vary widely from the contracted quality. By contrast, most crushers seem impressed with the ability of U.S. suppliers to meet contract specifications exactly, though gripes about foreign matter remain common for all imports.



Over the long term, the pattern of expansion in China's crush industry favors continued imports of soybeans. China's primary soybean production areas are in the far Northeast. By contrast, growth in the crushing industry appears to be most rapid in the provinces of Guangdong and Zhejiang, on the southeastern coast. The high cost of internal transportation makes shipment of domestic soybeans to these areas expensive and impractical. As a result, most of the new plants under construction are likely to rely heavily on imports.

Soybean exports are forecast to fall in MY 00, based on export data for the first quarter. Exports are relatively small, with Japan purchasing more than half the total amount. North and South Korea were also major buyers of Chinese soybeans during MY 99. Chinese soybeans are typically favored for use in food manufacturing, due to their high protein content. As noted before, interest in organic production is growing, but the current certification measures are directed at the domestic market, and would not meet the stricter standards of major export markets. Increased exports of soybeans for feed use could take place if GMO restrictions in countries like Japan and South Korea limit imports from the U.S. and South America.

Imports of soybean meal are forecast to remain far below the 3 MMT record set in MY 97, and remain low throughout MY 01. The initial cause of this drop was lackluster demand from the livestock industry in MY 98 and 99, and reimposition of the 13% VAT on soybean meal in July, 1999. (Though the VAT is charged on both domestic and imported meal, industry sources claim that the rules relating to domestic meal are unclear, making them easy to evade). Since then, livestock demand has recovered, but soymeal imports show no sign of revival. The VAT has held imports in check, favoring domestic soymeal and imports of other products, such as fishmeal, which remain VAT free. This trend is forecast to continue into MY 01: growth of the domestic oilseed crushing industry now seems likely to make permanent the shift from importing processed products to importing oilseeds for processing.

Initially, China's entry into the WTO was expected to take place in MY 00, resulting in a large increase in oil imports due to the huge tariff rate quotas for soybean oil and rapeseed oil. During the past year, however, the situation has changed. Delays in China's accession mean that China is now unlikely to enter the WTO much before June. As a result, the increased oil quotas that China has agreed to will be difficult to implement before the end of MY 00. At the same time, the domestic oilseed crushing industry has increased in both size and efficiency. Under the pressure of increased competition, domestic soybean oil prices have already fallen by 41% since the beginning of 1999. The most obvious effect of the increased tariff rate quota under WTO will be a further drop in oil prices, bringing the Chinese market close to world prices. While demand is forecast to increase, much of the additional demand is likely to be met through domestic production. The most important factor in determining how much imports will grow is the degree to which the current quota system suppresses demand for vegetable oil in general. Trade sources differ widely, with some expecting consumption to increase by less than 5%, while others believe that the market can easily absorb as much as 20% more oil. Post's estimate of a 5.2% increase is based on the assumption that increases in demand will require some time to become apparent. As a result, soybean oil imports for MY 01 are forecast to increase by 80 TMT.

Policy

WTO will limit China's ability to take actions that damage trade in soybeans and soybean products. China has agreed to bind tariff rates for soybeans at the current level of 3 percent, thus eliminating the threat of a quota on soybeans. The Chinese government has also agreed to follow the terms of the WTO Agreement on Sanitary and Phytosanitary Measures, which will require that all animal and plant health import requirements be based on sound science. Threats to trade will continue to exist even after China joins the WTO. VAT taxes, such as the

one that was levied on soybean meal, are one example. At present, however, the greatest concern is over genetically modified soybeans. The issue is extremely complex. China, as a high-cost producer, has a natural interest in GMOs, however the government is under pressure to protect domestic producers from competition with imports. Health and environmental officials in China have also expressed concern about the impact of GMOs, and are working with the U.S. government to learn more about the U.S. methods for testing and approving GMOs. At last report, the National People's Congress was considering legislation to regulate GMOs that was described as being 'somewhere between the U.S. and Japanese systems.' This description clearly leaves a lot of room for interpretation.

At a more fundamental level, implementation of WTO is likely to prove complicated and frustrating. While the agreements that China has signed provide a rough outline of the TRQ system for oil, there are a host of details that remain unresolved. For example, certain amounts of TRQ are set aside for private versus government traders. Precisely how these are defined is uncertain, and likely to prove complex given the wide range of levels of government involvment in private industry here. How quota is to be distributed is another major issue that has not been addressed. And the list goes on. Ideally, China's trading partners will outline their expectations in detail well before accession takes place, so that China can take this into consideration when establishing its regulations. Another likely source of trouble is the low level of awareness among China's non-trade related agencies about the effects that WTO may have on their work. Agencies such as the Tax Bureau tend to view their work as exclusively domestic. However, if their rulings affect the regulation of domestic products without corresponding changes in regulations for imports, they may run afoul of the national treatment principle. Similar problems may emerge with respect to provincial governments, which often carry out their own policies, particularly with respect to agricultural subsidies. WTO restrictions on trade-distorting subsidies are poorly understood, if at all. Implementation of China's WTO commitments, while beneficial in the long run, is likely to be a learning experience for all involved.

Rapeseed and Products

Rapeseed production has continued to expand, setting a new record in MY 00, and likely to do so again in MY 01. MY 00 area is estimated at 7.75 million hectares, and initial estimates place MY 01 area at over 8 million hectares. Current crop conditions are good, but recent cold weather in Hubei province has raised some concerns. Increased production is being driven by a number of factors, key among them being price reform for grains. The government has reduced purchase prices for rice and wheat, and has stopped purchasing low-quality early rice and winter wheat altogether. Though falling vegetable oil prices have had a sharp impact on rapeseed prices, rapeseed continues to be more profitable than grain crops, which farmers often cannot sell at all. In addition, improved prices for rapeseed meal have helped to support the value of the crop. The quality of domestic rapeseed has improved rapidly, with many areas reporting that up to 90 percent of the local crop is of the double-low variety. Double-low rapeseed is sufficiently low in toxins to allow the rapeseed meal to be used more in animal feed, adding to the value of the meal.

The Chinese government is encouraging rapeseed production as part of the overall reform of agriculture, but does not offer support prices. Trade sources indicate that some provincial governments are interested in implementing a program similar to the one carried out for soybeans in Jilin. This program pays a subsidy to a crushing mill, in exchange for which the mill agrees to purchase farmers' soybeans at a guaranteed price, instead of purchasing imported soybeans. Provincial governments favor this approach for several reasons. First, it supports both farmers and crushers. Second, it avoids the problems of stock accumulation that come with guaranteed state procurement. Finally, it avoids the difficulty of trying to distribute aid directly to hundreds of

thousands of individual farmers. Import substitution programs of this nature, however, are certain to run afoul of the WTO once China becomes a member. Over the long term, rapeseed production is likely to level off. Though immensely useful as a winter crop, falling vegetable oil prices will limit its value as a cash crop.

One of the most important issues for the future of China's rapeseed industry will be the financial health of the rapeseed crushing industry. Most rapeseed crushers are reportedly operating on razor-thin margins. A significant drop in oil prices, as is likely to occur when China accedes to the WTO, could drive many of these crushers out of business, unless they can bring costs down. The final outcome is likely to be a decline in rapeseed prices and the closure of many smaller crushers specializing in rapeseed. Closures are likely to be concentrated in coastal areas and near major cities where smaller plants compete directly with the new generation of large-scale crushing mills. Mills serving local markets further inland may survive a good deal longer, as inland rural markets remain highly segmented. Despite mill closures, China's ability to crush its domestic rapeseed crop should not be seriously affected, since the industry is already operating well below capacity.

Consumption of rapeseed is forecast to fall in MY 00 due to a drop in the crush of imported rapeseed. Consumption is then forecast to increase in MY 01 as more domestic rapeseed becomes available. Most sources agree that consumption of rapeseed meal is on the rise, providing one of the few bright spots for this industry. The main reason is the rapid changeover to double-low rapeseed, which has made it possible to feed larger amounts of rapeseed meal than in the past. In addition, rapeseed meal, unlike soybean meal, continues to benefit from an exemption to the VAT. Finally, the growing importance of rapeseed as a feed ingredient is related to the relatively fast growth in the aquaculture and duck industries, where rapeseed meal is traditionally favored as a feed ingredient.

Imports of rapeseed are forecast to fall significantly from the record levels of MY 99, but remain relatively high. Crushers are pleased with the quality of imported rapeseed, and plan to continue importing rapeseed so long as it is economically feasible. Over the long term, however, continued improvements in the quality of domestic rapeseed, as well as increased production and falling prices, are likely to undercut rapeseed imports. Exports of rapeseed meal hit record levels in MY 99, reaching nearly 1 MMT, with South Korea by far the largest buyer. Trade sources claim that most of the exported rapeseed meal is processed from imported rapeseed. Meal exports are forecast to fall in MY 00 and again in MY 01, due to growing domestic demand and lower availability of meal processed from imported seed.

Rapeseed oil imports are forecast to rise sharply in MY 00, based on customs data for the first quarter. Imports are forecast to increase again in MY 01, but will fall well short of the TRQ agreed to by China under its WTO agreement with Canada, as increased domestic oil production will be likely to limit imports. Smuggling of rapeseed oil, which nearly vanished after the government began its crackdown on smuggling in 1998, appears to be on the rise again. MY 99 customs data imply that China became a net exporter of rapeseed oil that year, an extremely unusual situation for a country which is a) an oil deficit country and b) where oil prices are higher than world market levels. Closer examination of the export figures shows that nearly 95% of the rapeseed oil is exported to Hong Kong. Trade sources, however, suspect that much of this oil is actually declared for export, but never leaves the country, a practice that was common during the heyday of smuggling. Though the exact mechanics are not clear, Hong Kong data confirms this suspicion. According to China Customs, MY 99 rapeseed oil exports to Hong Kong amounted to over 39 TMT. But according to Hong Kong data, imports from China during the same period only amounted to 21 MT. As a result, exports are estimated at 3,000 MT for MY 99, mostly to North Korea. Similar exports are forecast for MY 00 and MY 01. It should be kept in mind that

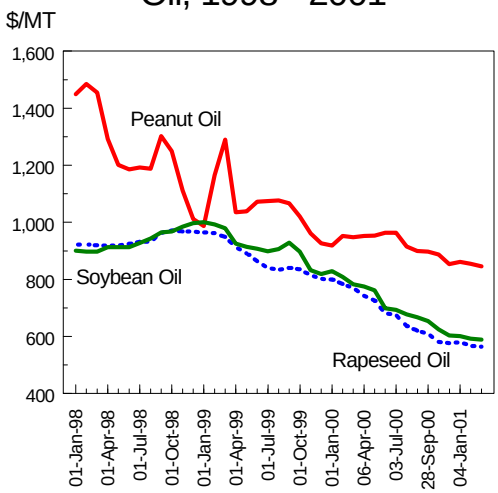
the volumes involved are vanishingly small, compared to the wholesale smuggling that took place prior to MY 98.

Other Oilseeds and Products

Peanuts and Products

Peanut production continues to rise, with MY 00 planted area estimated at a record 4.5 million hectares, and likely to increase to as much as 4.6 million hectares in MY 01. MY 00 production is estimated at 9.25 MMT, with yields affected by drought in the key producing province of Shandong. For MY 01, production is currently forecast at 9.6 MMT, but could go much higher, given favorable weather. Production of peanuts is highly favored, since this crop is significantly more lucrative than soybeans or grains, though less so than fruit and vegetables. Provincial authorities are not expecting a massive increase in peanut production, however, since the amount of suitable land is limited. Planted area is likely to increase for a few years as falling grain prices cause producers in those areas that are suitable to peanuts to shift, then top out as the natural limits are reached. Prices for peanut oil appear to be stabilizing, after falling roughly 35% over the past two years. Interviews with peanut crushers indicate that most are relying on a niche market strategy to maintain a high value for their product.

Domestic Prices for Vegetable Oil, 1998 - 2001



Although peanut consumption is on the rise, provincial authorities do not expect sharp increases in domestic demand for peanuts, and feel that export markets represent their best chance for increasing the value of their products. China continues to be a major exporter of peanuts, exporting 554 TMT in MY 99, and likely to reach a similar level in MY 00, though there have been some problems. Most of China's peanut exports are produced in coastal Shandong province. Industry press reports that there have been considerable problems with aflatoxin in exports from Shandong, and a number of shipments have been rejected from the EU and Japan. Interviews with peanut processors indicate that the problem is limited primarily to peanuts produced in coastal areas of Shandong.

Fishmeal

Fishmeal production estimates for MY 99 and MY 00 have been reduced, based on interviews with government and industry officials. These officials estimate CY 1999 production at 750 TMT, while CY 2000 production fell to 500 TMT, due to a drop in the anchovy catch. Fish catches have been reduced by limited suspensions on fishing in certain areas, which have been introduced to alleviate some of the damage done by overfishing. The government has also taken steps to reduce the size of the fishing industry, reducing the number of vessels by 3,000. The Bureau of Fisheries currently plans to introduce catch limits for 13 species of fish, with one of the first to be anchovy.

Demand for fishmeal grew in MY 99, but is likely to be limited in MY 00 by declining domestic supplies. Imports reached nearly 1 MMT in MY 99. Falling soybean prices and growing supplies of domestically produced soybean and rapeseed meal are forecast to undercut fishmeal imports in MY 00 and MY 01, though

much will depend on conditions in South American fisheries. Demand for fishmeal is driven by rapid growth in China's freshwater aquaculture industry, which is also absorbing growing amounts of soybean and rapeseed meal. During the first 10 months of 2000, freshwater aquaculture production amounted to 13.97 MMT out of a total fisheries production of 34.96 MMT. The American Soybean Association has conducted a long term training program on the use of soybean meal in aquaculture, and has seen considerable success in converting producers from traditional manure-based aquaculture. Their efforts have received the support of the Chinese government, which has recognized the environmental benefits of converting from manure-based feeding.

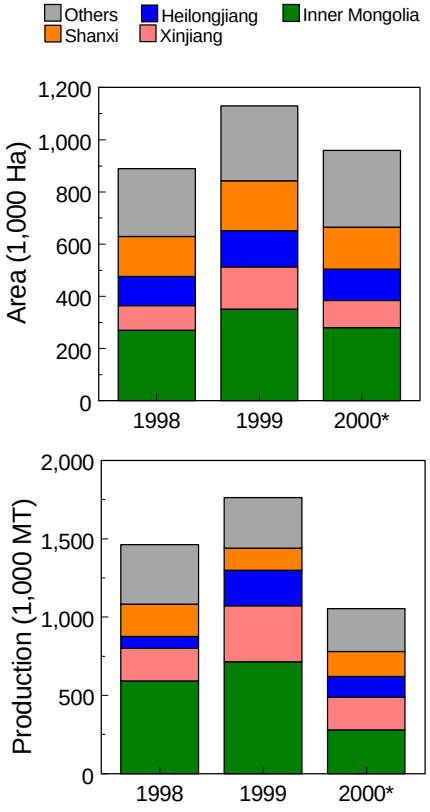
Sunflowerseed

Data on sunflowerseed remains difficult to come by, and frequently contradictory. The MY 99 crop appears to have set a record, at 1.8 MMT, a 71% increase in production over the previous year. According to industry sources, this massive increase in production triggered a precipitous drop in prices for sunflowerseed. As a result, the increase in production originally forecast for MY 00, never took place as farmers switched to other crops. Instead of a slight increase, MY 00 planted area posted a decline of over 12%. Drought took an additional toll, and total production of sunflowerseed fell by an estimated 39%. As a result, prices are likely to recover, and MY 01 planted area is forecast to remain constant. A return to normal yields, however could result in a near record crop of 1.6 MMT, and could trigger another round of price drops.

Imports of sunflowerseed rose rapidly between MY 95 and MY 98, but dropped in MY 99. This decline is probably related to the bumper crop that year. Of greater concern is the sharp increase in exports of sunflowerseed that year, which rose from 18 TMT in MY 98 to 35 TMT in MY 99. A large proportion of these exports are reported to consist of sunflowerseed kernels exported to Germany at extremely low prices. Though post has no hard data, it seems likely that this surge in exports is linked to the bumper crop in MY 99. Based on this assumption, the MY 00 forecast calls for increased imports and a slight decline in exports to offset a smaller domestic crop. With a larger crop forecast for MY 01, trade is forecast to move back in the direction of MY 99. Given falling prices for most commodities, it is likely that sunflowerseed production will increase gradually over the long term. Increased imports of in-shell sunflowerseeds and exports of kernels appear likely to continue over the long term.

Sunflowerseed Production and Planted Area

MY 1998 - 2000, by Province



Source: China National Grain & Oils Information Center

Cottonseed

Cottonseed production is forecast to rise in MY 00, due to rising prices for cotton fiber. Production increases were highest in the provinces of the Yellow River Valley, and particularly in Shandong. Producers in Shandong have embraced GMO cotton, and provincial authorities claim that up to 70% of Shandong's cotton is GMO. Further increases are forecast for MY 01, as unofficial surveys have indicated that area planted to cotton could rise as much as 14%. Cottonseed processing is handled primarily by the state-owned Cotton and Jute Corporation (CJC), which operates most of the cotton gins. Processing generally serves as an off-season pursuit for county-level CJC enterprises, which focus on cotton procurement and ginning during the post-harvest season, and on cottonseed processing during the rest of the year. Cottonseed meal is sold primarily to the feed industry for use in compound feed, but has also come into use as a culture medium for mushrooms. Cottonseed meal is also exported to countries such as Japan for use in feed. Cottonseed oil is used in the food processing and chemical industries.

Palm Oil

Palm oil imports are forecast to increase to rise to 1.3 MMT for MY 00. This estimate is less than the original forecast of 1.4 MMT, due to continued delays in China's entry into the WTO. It now appears unlikely that China will enter the organization in time for the increased quotas to have much effect on MY 00 imports. Imports for MY 01 are forecast at 1.45 MMT. Because of the gradual phase-in of the quota for palm oil and a number of other complications, it is unclear precisely what the palm oil quota for CY 00 will be if China. It certainly is not likely to be less than 1.5 MMT, however. Palm oil is likely to be the main beneficiary of increased access to China's market, as oil refiners claim that there is considerable unmet demand for palm oil on the part of food manufacturers. The final amount of palm oil that enters the market will depend on precisely how much unmet demand exists, an issue on which trade sources differ widely. Post's forecast is based on a somewhat conservative estimate.